

MFOLOZI MUNICIPALITY 2013/2014 ANNUAL BUDGET

SUMMARY REPORT

1.1 Legislative framework

The 2013/2014 budget is prepared in accordance with the Local Government; Municipal Finance Management Act, 2003 and the Municipal Budget and reporting regulations issued by the Minister in terms of Section 168(1) of the Act. In terms of these regulations a multi-year budget spanning over three (3) years is prepared. It needs to be noted that the figures for 2014/2015 and 2015/2016 are indicative in terms of the medium term expenditure framework. In preparation of this budget, consideration has been given to MFMA Circular No. 66 and 67 which clearly provide further guidance to municipalities for the preparation of 2013/2014 Budget and Medium Term Revenue and Expenditure Framework (MTREF) as well as the Provincial Treasury Circular TC-RM4. This circular provides guidance and allocations to municipalities for the preparation and submission of their 2013/2014 budget. The functions have been ring-fenced in terms of the Council vote structure.

1. Medium term service delivery objectives as stated in the Integrated Development Plan (IDP):

- a. The medium term service delivery objectives of Mfolozi Municipality includes the following strategic focus areas and objectives:
 - i. **Service delivery-** Primarily focusing on the eradication of backlogs through the implementation of a good quality infrastructure to all potential consumers.
 - ii. **Economic development-** The objective is to improve the economy through the creation of job opportunities and additional economic activities.
 - iii. **Social development-** The objective is to reduce the occurrence and impact of HIV/Aids and to develop and empower youth, gender and communities
 - iv. **Institutional development-** The focus is on employment equity with the objective of transforming the municipality and capacity development for effective service delivery.
 - v. **Financial management-** our objective is to ensure sound financial management by promoting good financial practices with a view of ensuring a financially viable municipality.
 - vi. **Good governance and public participation-** The objectives are to promote good governance, accountability and transparency; to operate the municipality at a minimum risk level.

vii. Other focus areas include:

1. Municipal roads
2. Fire fighting
3. Disaster management
4. Solid waste
5. Tourism

2.1 Linkages between the budget, the IDP and political priorities

Firstly, the budget timetable and the IDP process plan are aligned through an integrated time schedule.

Secondly, the IDP is prepared and the projects there from are included in the budget with each project properly reference per IDP description.

Moreover, the financial plan comprising the total budget, among other items, is included in the IDP.

2.2 The budget is summarized in more detail in the attached budget schedules. However, the comments on the budget are as follows:

BUDGET SUMMARY	2012/2013	2013/2014	CHANGE
Total operating budget	R50 370 895	R62 597 902	+24.27%
Capital budget	R20 958 000	R25 340 000	+20.91%
Total budget	R71 328 895	R87 937 902	+23.29%

The total budget increased by **R 16 609 007**

With the above background, it is important to highlight the major causes for such increases in both the operating and capital budgets. This will be done through the highlights section. Firstly, the operating budget will be reviewed. Thereafter, the Capital budget will be subjected to a review. The comments are as follows:

3. HIGHLIGHTS OF THE EXPENDITURE

3.1 OPERATING EXPENDITURE

Employee Related Costs

The employee related costs comprises 33.3 % of the total operating budget. The primary reason for the increase is the annual across the board increment of 5.6% and 1, 25% in January 2014. The increment is based on the high inflation level and the indicative bargaining council figures. Council need to take cognizance of the fact that Wage Curves will also be implemented on the 1st of January 2014. Vacant positions have to be provided. The vacant positions included in the operating budget are as follows:

- X5 General Workers
- X3 Library Interns
- Director: Community Services
- X2 Traffic Officers
- Human Resources Clerk
- Secretary to Director Corporate Services
- Payroll Officer
- Financial Officer: Budget
- Financial Management Intern
- Manager Financial Services
- Tourism Officer
- PMU Manager
- X3 Cleaners
- Council Support & IT

Remuneration of Councilors

An increment for Councilor's allowances is provided at 7%.

Repairs and Maintenance

Vehicles

This is provided for due to the high expenditure on maintenance of the Grader & TLB and the poor conditions of vehicles. New vehicles were budgeted for to replace existing vehicles that should be replaced in terms of council policy.

General Expenses

The major items that have increased during the 2013/14 in this category include:

Fuel & Oil – The increase is based on actual petrol card consumption and provision for the new vehicles to be purchased.

Professional fees – The increase is based on valuation roll for 2011-2015 (MPRA) and it is our final year for GRAP implementation.

Items with direct impact on communities include the following:

Item	Budget
Air pollution	1 000
Burial of dogs	1 000
Poverty alleviation	500 000
LED	250 000
Community Services	160 000
Community Bursaries	450 000
Woman Empowerment	500 000
Youth Skills Development	400 000
Disability	250 000
Disaster Fund	600 000
IDP Operating Projects	200 000
HIV & awareness Campaign	300 000
Heritage Activities	100 000
Sports	500 000
Street Lighting	300 000
Mayoral Projects	2 000 000
Mayoral Cup	150 000
Noise Pollution	2 500
Publicity	230 000
Total Community and Social Expenditure	R 6 894 500

3.2 CAPITAL EXPENDITURE

Revenue - own funds

Computers	300 000
Computer Software	300 000
Co-funding – N2 Interchange	1 500 000

Furniture and Equipment	800 000
Plant and Equipment	800 000
Vehicles	1 000 000

Sub Total **R4 700 000**

MIG **R 20 640 000**

TOTAL CAPITAL **R 25 340 000**

4. HIGHLIGHTS OF INCOME

4.1 OPERATING INCOME

The sources of funding are important to ensure that the budget is actually funded and cash backed. The following items warrant specific mention:

❖ RENTAL INCOME

Rental Income is expected to increase as a result of the increase of the percentage imposed, from R90 000 to R100 000.

❖ EQUITABLE SHARE

Equitable share has been substantially increased from R 43 392 300 to R 52 392 000, giving us a net increase of R 8 999 700 (21% increase)

❖ PROVINCIAL GRANTS.

Library grant of R372 000.00 allocation for 2013/14 budget year.

4.2 CAPITAL INCOME

The capital expenditure shall be funded as follows:

Own revenue	4 700 000
MIG	20 640 000
Total	25 340 000

5. FREE BASIC ELETRICITY

Free Basic electricity per household per month is provided for. The present policy of providing free Basic electricity remains unchanged. Free Basic electricity is also provided in the rural schemes which are not breaking even or where the cost far exceeds the revenue.

Any other consumption is billed at applicable tariffs.

6. BUDGET RELATED RESOLUTIONS

The Executive Committee resolves to recommend that:

1. The annual budget of the municipality for the year 2013/14; and indicative figures for the two projected outer years 2014/15 and 2015/16 be approved as set-out in the following schedules:
 - Table A1 Budget Summary.
 - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification).
 - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote).
 - Table A4 Budgeted Financial Performance (revenue and expenditure).
 - Table A5 Budgeted Capital expenditure by vote, standard classification and funding.
 - Table A6 Budgeted Financial Position.
 - Table A7 Budgeted Cash Flows
 - Table A8 Cash backed reserves/accumulated surplus reconciliation
 - Table A9 Asset Management
 - Table A10 Basic service delivery measurements
2. The Municipal Manager to be authorized to proceed with the procedure as stipulated in the MFMA and in terms of the guidelines stipulated by the Minister in terms of Section 168(1) of the Act.
3. The grants be accepted and approved with appreciation.
4. The staff structure be approved as budgeted for.
5. The Quality Certificate be approved.
6. That the tariff policy credit, control and debt collection policy, cash management and

investment policy, supply chain management policy and financial plan have been reviewed.

7. The funding and reserves policy be developed in compliance with Budget and Reporting Regulations.
8. That the tariffs be approved.